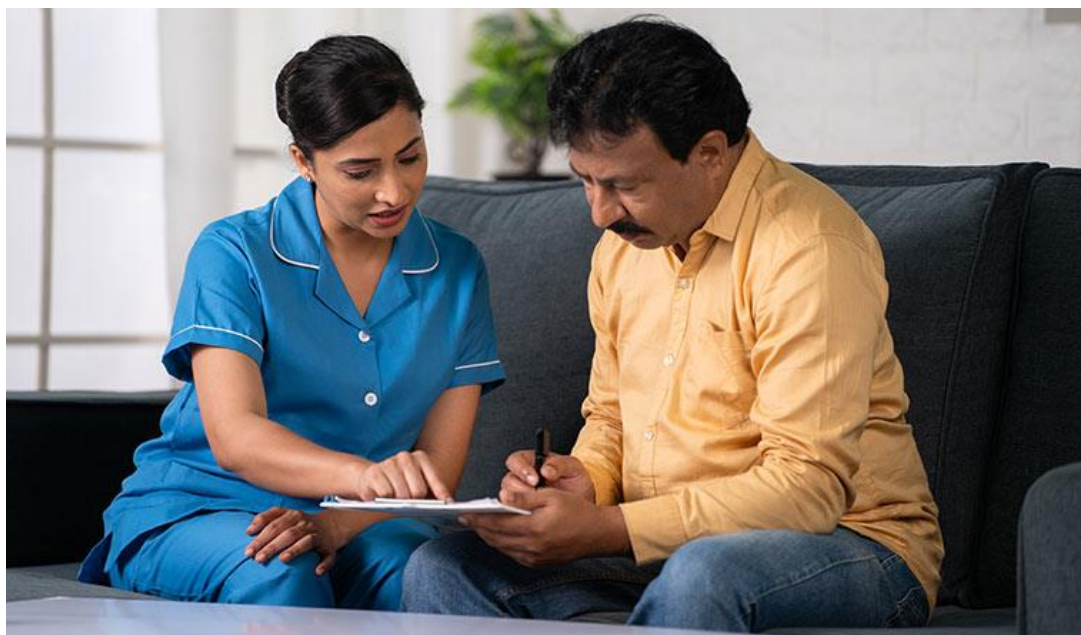


Article Date	Headline / Summary	Publication
30 Jun 2024	Health insurance: Policyholders worried sick as health insurance premium shoots through roof	The Week

### [Health insurance: Policyholders worried sick as health insurance premium shoots through roof](#)



Udit Bhandari, a real estate consultant, lives in Gurugram, Haryana, with his wife and eight-year-old son.

He has a family floater health insurance policy from a private insurance company. Family floaters are health insurance plans that cover health care expenses of any of the members of a family, and they are very popular because of the flexibility. But Bhandari is worried, as his plan's premium has gone up exorbitantly. "For a cover of Rs5 lakh, I paid a premium of Rs28,578 for two years (2022-24). For the same policy and the same cover, this time (2024-2026) they have quoted Rs39,500, though I had not made any claims in the past five years," he says.

Bhandari is not alone. In a recent survey by LocalCircles on health insurance premiums, around 21 per cent of the 11,000 respondents said their premiums jumped 50 per cent in the past year. Around 31 per cent said their premiums went up by 25-50 per cent and about half of the respondents said their premiums increased by more than 25 per cent.

There are several reasons behind this rise. Insurance premiums usually go up with age. Also, there has been significant cost inflation in the health care sector. "In health care industry, the cost of treatment increases at the rate of 10-15 per cent," said Ashish Yadav, head of products at ManipalCigna Health Insurance Company. In fact, prices rose massively during the pandemic. Bhandari said that in some of the top private hospitals in Gurugram, the consultation fees charged by specialists had gone up from around Rs1,000 to Rs2,000.

"While the number one factor that impacts health care cost is inflation, number two is unanticipated incidents like the Covid-19 pandemic. There could be a spike in various other infections and related diseases. Our lifestyles are also changing. There are increasing incidents of cancer and cardiac-related ailments," said Yadav.

Another reason is the rapid advancements in the health care sector. "The medical field is constantly evolving, with new, often expensive, diagnostic tools and treatment options emerging," said Tapan Singhel, MD and

CEO of Bajaj Allianz General Insurance. “While these advancements are positive for patient outcomes, they contribute to the rising health care costs, which are reflected in premiums.”

Then there is heavy taxation. Currently, a GST of 18 per cent is levied on insurance premiums. For instance, if your annual insurance premium is Rs30,000, the addition of GST will take it to Rs35,400. Before the GST regime was implemented, there was a 15 per cent service tax on health insurance. A parliamentary panel has recommended to reduce the GST rate on health insurance products, especially micro-insurance policies and health insurance plans for senior citizens. “Reducing GST on health insurance premiums would be a welcome step, as it would reduce the financial burden on customers and encourage them to purchase health insurance,” said Singhel.

Health care costs have gone up so much that most Indians cannot afford them. The irony is a majority of Indians do not have health insurance, which would have equipped them to access these services. According to insurtech platform Plum, about 71 per cent of Indians pay for their health care expenses out of their pockets.

The silver lining is the fact that health insurance is growing fast. “It has now overtaken motor insurance,” said Yadav. “Covid played a very important role here; it acted as a catalyst, making people realise the need for health insurance and how much health insurance one should take.”

Health insurance has also moved beyond the vanilla mediclaim policies. Plans are now available for specific ailments, out-patient department (OPD) costs and doctor consultations. Amit Chhabra, chief business officer, general insurance, Policybazaar, said the demand for OPD plans had quadrupled. One can also buy longer-duration policies.

“Health insurance has become extremely modular lately,” said Chhabra. “Consumers can go for a basic plan and buy add-ons for features that they require. This can significantly reduce their insurance premium. Increasing deductibles is another effective method; while it requires higher out-of-pocket payments before insurance kicks in, it significantly reduces the monthly or annual premiums.” Several insurance companies offer discounts based on cities as well. A person living in a small city, for instance, has to pay around 40 per cent less premium than someone living in a metro.

Technology plays a key role today in the health insurance space. Not only that policy issuance and the claims process have become digital, but also smartwatches and fitness apps can be linked to the policy. Insurance companies track this data and reward customers who are active and fit with discounts and lower premiums. “The journey that this industry has witnessed is from illness to wellness,” said Yadav. “A lot of innovation is happening on wellness. The insurance companies are rewarding customers with good fitness regime.” If no claim is made during the policy period, insurers offer a no-claim bonus, which could be in the form of an increase in the sum assured or lower premiums.

The settlement of claims in a timely manner is also an issue with medical insurance. The Insurance Regulatory and Development Authority of India has been trying to streamline the claims process. In May, IRDAI issued a master circular in which the regulator asked companies to decide on cashless authorisation requests within an hour. It also said no policy and claim should be contestable on any grounds of non-disclosure except for established fraud, after the completion of the moratorium period of 60 months of continuous coverage. Customers who missed renewing their policy will be granted a grace period of 30 days from the payment due date if paid annually, half yearly or quarterly, and 15 days in case of monthly premium payment.

The Union health ministry and IRDAI have set up a National Health Claim Exchange to simplify and expedite the claims filing process. “By creating a digital, interoperable and standardised platform, the National Health Claim Exchange aims to enhance the efficiency and transparency of the claims process. This initiative addresses the longstanding issues of manual data entry, inconsistent procedures, and high administrative costs that have plagued the health insurance sector in India,” said Chhabra.

It will bring insurers, health care providers and policyholders onto a single platform, facilitating seamless information exchange and improving the accuracy and reliability of claims-related data. This transparency should help reduce disputes and ensure quicker claim settlements.

We use cookies to understand how you use our site and to improve your experience. This includes personalizing content and advertising. By continuing to use our site, you accept our use of cookies and revised Privacy Policy